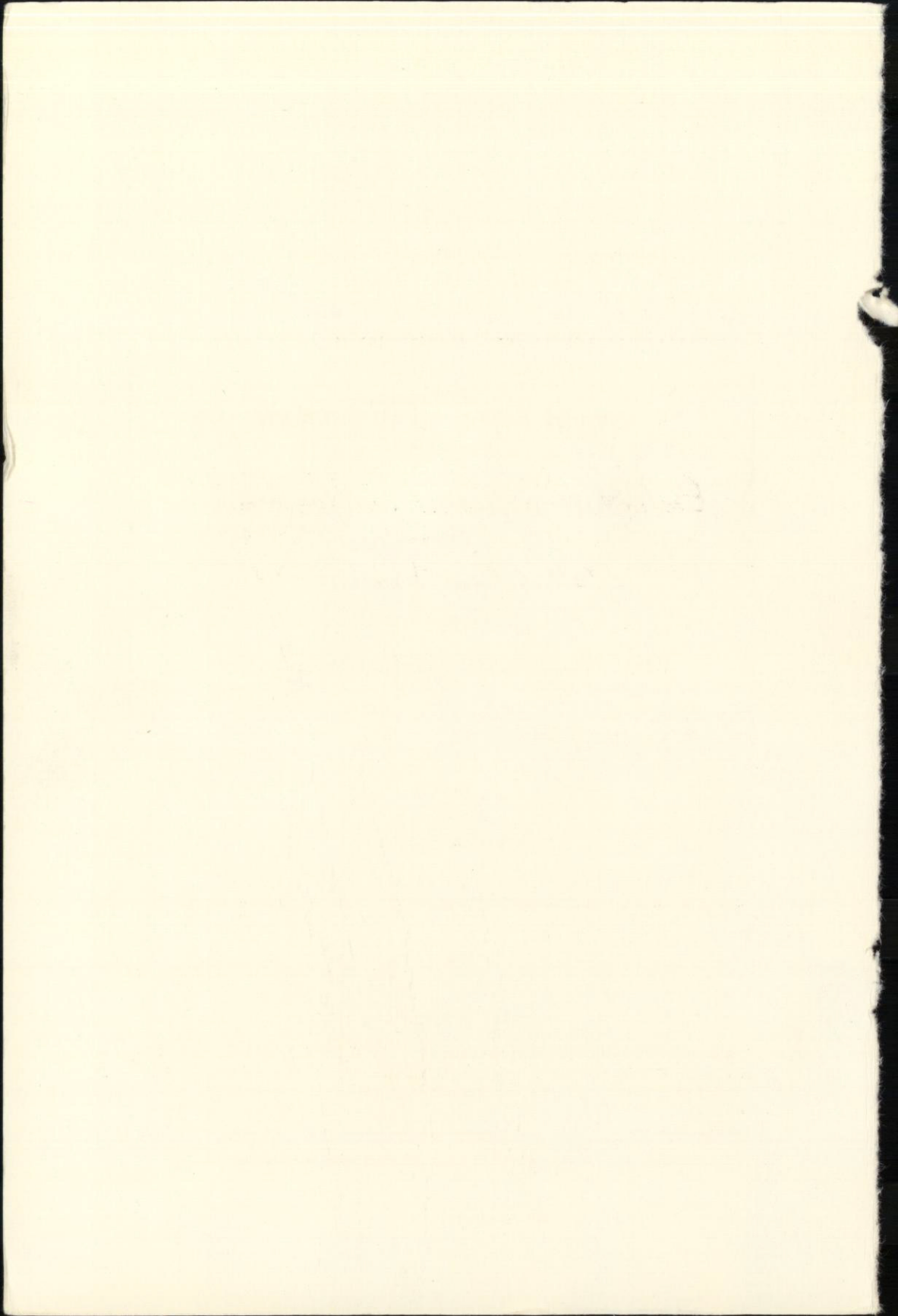


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CORPORATION FILE

Annual Report to Stockholders

The Chesapeake Corporation
of Virginia
West Point, Virginia

FOR THE YEAR ENDED DECEMBER 27, 1953



OFFICERS

ELIS OLSSON, *Chairman of the Corporation*

STURE G. OLSSON, *President*

OVERTON D. DENNIS, *Vice-President and Treasurer*

E. S. GRAY, *Assistant Secretary*



DIRECTORS

STURE G. OLSSON

ELIS OLSSON

T. CROXTON GORDON

OVERTON D. DENNIS

J. P. EKBERG

JAMES P. MASSIE

M. C. McDONALD

J. SCOTT PARRISH, JR.

CARL A. OLSSON

HUGH D. CAMP

H. H. AUGUSTINE



EXECUTIVE COMMITTEE

ELIS OLSSON

STURE G. OLSSON

T. CROXTON GORDON

OVERTON D. DENNIS



TRANSFER AGENTS

STATE-PLANTERS BANK AND TRUST COMPANY Richmond, Va.

CHEMICAL BANK AND TRUST COMPANY New York, N. Y.



REGISTRARS

FIRST AND MERCHANTS NATIONAL BANK OF RICHMOND . Richmond, Va.

CENTRAL HANOVER BANK AND TRUST COMPANY . . New York, N. Y.

WEST POINT, VA., FEBRUARY 26, 1954

TO THE STOCKHOLDERS OF

THE CHESAPEAKE CORPORATION OF VIRGINIA:

The Management of The Chesapeake Corporation of Virginia takes pleasure in submitting this report of its operations for the year ended December 27, 1953, which includes a consolidated balance sheet as of December 27, 1953, and consolidated statements of profit and loss and surplus for the year then ended, as prepared and certified by Leach, Calkins & Scott, independent certified public accountants.

Earnings and Dividends

Consolidated net earnings of the Corporation, after deducting all charges and providing for income and excess profits taxes, amounted to \$2,446,500, or \$4.23 per share. This compares with earnings of \$2,661,272, or \$4.60 per share, in 1952.

In 1953 the Corporation paid cash dividends of \$1,156,654, or \$2.00 per share. The balance of earnings, amounting to \$1,289,846, was retained for use in the business.

Sales

The dollar volume of net sales in 1953 was \$19,134,651, compared with sales of \$17,888,132 in 1952, an increase of \$1,246,519, or 6.97%, whereas sales tonnage for 1953 increased 14.75% over 1952.

The percentage of dollar volume increase in net sales was less than the percentage of sales tonnage increase due to a slackening demand for the higher price grades and a continued downward trend in the price of dry pulp during the year. This condition, together with the increased cost of raw materials, labor, and maintenance, resulted in lower profit margins.

Property, Plant, and Facilities

Expenditures during the year for additions and improvements to the Corporation's fixed properties amounted to approximately \$1,833,000. Major improvements were made to the board machine during the year, which, with other improvements contemplated in 1954, should materially increase its productive capacity and the quality of its products.

At the end of the year the Corporation's wholly-owned subsidiary, David Weber Co., Philadelphia, Pennsylvania, was in the process of enlarging and improving its loading and shipping facilities and its general offices. This construction will be completed in the spring of 1954.

Total depreciation for the year amounted to \$1,100,154. This includes, in addition to normal depreciation on all properties, accelerated amortization of emergency facilities in the amount of \$149,389.

Timberlands owned by the Corporation at December 27, 1953, amounted to approximately 158,900 acres, which represents an increase during the year of approximately 7,300 acres.

Affiliated Company

The Corporation's 40% equity in the 1953 earnings of Sherman Paper Products Corporation amounted to \$122,851, and its equity in the book value of this company at December 27, 1953, was approximately \$2,124,483.

General

The Corporation is in a strong financial position. Working capital at the end of the year amounted to \$6,051,535 as compared with \$5,314,324 at the close of the preceding year, an increase of \$737,211.

W. Clyde Gouldman, Vice-President, Secretary, and Director of The Chesapeake Corporation of Virginia and President of David Weber Co., died May 15, 1953. Mr. Gouldman had served The Chesapeake Corporation of Virginia and its predecessor company for thirty-seven years, and we record his passing with sorrow and full appreciation of his long and valuable services to the Corporation.

The Management again wishes to express its sincere appreciation for the loyalty and co-operation of the Corporation's entire organization and for their effective efforts throughout the past year.

We are grateful to our customers and shareholders for their support and contribution to another year of successful operations.

Respectfully submitted,

ELIS OLSSON,
Chairman of the Corporation.

STURE G. OLSSON,
President.

THE CHESAPEAKE CO
AND SUBSIDI

CONSOLIDATED

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ASSETS

CURRENT ASSETS:

Cash.....		\$ 2,305,726.28	
U. S. Government obligations (at amortized cost).....	\$2,315,176.67		
Less: Amount deducted from Federal taxes (contra).....	2,315,176.67	—	
Obligations of Federal Land Banks (at amortized cost).....		1,716,857.92	
Accounts receivable—trade.....	\$1,132,890.13		
Less: Allowance for losses.....	81,234.16	1,051,655.97	
Miscellaneous receivables and accruals.....		104,190.93	
Inventories (at lower of cost or market):			
Finished goods and goods in process.....	\$ 92,791.12		
Manufacturing materials and supplies.....	1,015,783.91		
General stores.....	661,972.91	1,770,547.94	
Prepaid expenses.....		219,438.69	
TOTAL CURRENT ASSETS.....			\$ 7,168,417.73

OTHER ASSETS:

Cash surrender value of life insurance.....	\$ 137,498.58		
Pulpwood advances.....	105,231.48		
Miscellaneous receivables and deposits.....	18,188.33	260,918.39	

INVESTMENT (at cost):

Sherman Paper Products Corporation (40% stock interest) (book value approximately \$2,124,483)		1,539,065.44	
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PROPERTY, PLANT, AND EQUIPMENT:

	Cost	Estimated Depreciation, Amortization, and Depletion	Net Amount	
Land—plant sites.....	\$ 73,527.99	\$ —	\$ 73,527.99	
Timberlands and standing timber.....	4,353,036.50	1,279,580.23	3,073,456.27	
Buildings and structures.....	2,833,105.19	938,333.42	1,894,771.77	
Machinery, equipment, and fixtures.....	12,342,938.09	5,682,802.21	6,660,135.88	
Construction in progress.....	526,054.35	—	526,054.35	
TOTALS.....	\$20,128,662.12	\$7,900,715.86	\$12,227,946.26	12,227,946.26
				<u>\$21,196,347.82</u>

**CORPORATION OF VIRGINIA
RY COMPANY**

BALANCE SHEET

27, 1953

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable.....	\$	259,611.37	
Accrued salaries, wages, and commissions.....		84,867.29	
Accrued expenses and miscellaneous payables.....		32,402.15	
Payroll and withholding taxes.....		68,536.32	
Accrued State income taxes.....		249,065.16	
Accrued Federal income and excess profits taxes	\$	2,737,577.15	
Less: U. S. Government obligations (contra)		2,315,176.67	422,400.48

TOTAL CURRENT LIABILITIES..... \$ 1,116,882.77

RESERVE FOR COMMUNITY CONTRIBUTIONS..... 95,111.11

STOCKHOLDERS' EQUITY:

Capital stock—common, \$5 par value:

Authorized, 600,000 shares; issued and outstanding, 578,327
full shares and 4 shares of fractional scrip..... \$ 2,891,655.00

Surplus:

Paid in..... \$ 161,425.00

Retained earnings permanently capitalized
in excess of par value of shares issued as a
stock dividend..... 2,313,320.00

Retained earnings, exclusive of amounts per-
manently capitalized..... 14,617,953.94 17,092,698.94 19,984,353.94

NOTES:

1. Federal income and excess profits tax returns of The Chesapeake Corporation of Virginia for the years 1950, 1951, and 1952 are at present being examined by the United States Treasury Department. The examining agent has indicated that certain deductions will be disallowed, but the additional tax liability which may result has not been determined. The Corporation intends to protest any major deficiency which may be proposed.
Federal income and excess profits tax returns of the Corporation's wholly-owned subsidiary, David Weber Co., have not been examined by the United States Treasury Department for the fiscal year ended October 31, 1950, and subsequent periods.
2. Commitments for the purchase of property, plant, and equipment at December 27, 1953, amounted to approximately \$1,056,000.

\$21,196,347.82

THE CHESAPEAKE CORPORATION OF VIRGINIA AND SUBSIDIARY COMPANY

STATEMENT OF CONSOLIDATED SURPLUS For the Year Ended December 27, 1953

Retained earnings, exclusive of amounts permanently capitalized:	
Balance, December 29, 1952.....	\$13,328,108.62
Add: Net profit for the year.....	2,446,499.32
	<u>\$15,774,607.94</u>
Less: Cash dividends paid—\$2.00 per share.....	1,156,654.00
Balance, December 27, 1953.....	<u><u>\$14,617,953.94</u></u>

Retained earnings permanently capitalized in excess of par value of shares issued as a stock dividend:	
Balance at beginning and end of year.....	<u><u>\$ 2,313,320.00</u></u>

Paid-in surplus:	
Balance at beginning and end of year.....	<u><u>\$ 161,425.00</u></u>

THE CHESAPEAKE CORPORATION OF VIRGINIA AND SUBSIDIARY COMPANY

STATEMENT OF CONSOLIDATED PROFIT AND LOSS For the Year Ended December 27, 1953

NET SALES.....		\$19,134,651.49
COST OF SALES:		
Inventory, December 29, 1952.....	\$ 478,220.19	
Materials, supplies, and other manufacturing costs.....	7,095,687.86	
Wages, salaries, and other compensation.....	2,615,222.91	
Repairs and maintenance.....	1,244,257.03	
Depreciation (including emergency amortization of \$149,389 in excess of normal depreciation).....	1,084,207.76	
Depletion.....	120,624.27	
Taxes (other than taxes on income).....	180,169.09	
TOTAL.....	\$12,818,389.11	
Less: Inventory, December 27, 1953.....	92,791.12	
COST OF SALES.....		12,725,597.99
GROSS PROFIT.....		\$ 6,409,053.50
DEDUCT:		
Selling expenses.....	\$ 471,266.75	
General and administrative expenses.....	517,341.66	988,608.41
PROFIT FROM OPERATIONS.....		\$ 5,420,445.09
OTHER INCOME:		
Sale of by-products.....	\$ 52,738.70	
Interest earned.....	94,154.34	
Gain on sale of property and equipment—net.....	11,357.50	
Miscellaneous.....	85,838.09	244,088.63
		\$ 5,664,533.72
OTHER DEDUCTIONS:		
Discounts allowed.....	\$ 165,707.56	
Miscellaneous.....	62,333.68	228,041.24
PROFIT BEFORE TAXES ON INCOME.....		\$ 5,436,492.48
ESTIMATED TAXES ON INCOME:		
State income tax.....	\$ 252,416.01	
Federal income tax.....	2,620,668.55	
Federal excess profits tax.....	116,908.60	2,989,993.16
NET PROFIT FOR THE YEAR.....		\$ 2,446,499.32
Net profit per share of common stock.....		<u>\$4.23</u>

OPINION
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have examined the consolidated balance sheet of The Chesapeake Corporation of Virginia, West Point, Virginia, and its wholly-owned subsidiary, David Weber Co., Philadelphia, Pennsylvania, as of December 27, 1953, and the related statements of consolidated profit and loss and surplus for the year (consisting of thirteen four-week periods) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of the companies at December 27, 1953, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LEACH, CALKINS & SCOTT,
Certified Public Accountants.

Richmond, Virginia,
February 20, 1954.



